

**RULES
OF
TENNESSEE DEPARTMENT OF MENTAL HEALTH
AND MENTAL RETARDATION
ADMINISTRATIVE SERVICES DIVISION**

**CHAPTER 0940—2—1
DETERMINATION OF AVERAGE DAILY COST**

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0940—2—1—.01 DEFINITIONS. As used in this Chapter, unless the context requires otherwise:

- (1) “Commissioner” means the commissioner of mental health and mental retardation.
- (2) “Department” means the department of mental health and mental retardation.
- (3) “Institution” means Lakeshore Mental Health Institute, Middle Tennessee Mental Health Institute, Western Mental Health Institute, Moccasin Bend Mental Health Institute, Greene Valley Developmental Center, Clover Bottom Developmental Center, Mental Retardation Secure Facility, Nat T. Winston Developmental Center, or Arlington Developmental Center, regardless of name known as and any combination of developmental centers and/or mental health institutes providing the same type of services.

Authority: T.C.A. §33—4—101. *Administrative History:* Original rule filed May 31, 1978; effective July 1, 1978. Amendment by Public Chapter 969; effective July 1, 1984. Amendment filed July 11, 1984; effective August 10, 1984.

0940—2—1—.02 COMPUTATION OF COMPUTED AVERAGE DAILY COST. The department, using cost report forms prescribed by the department, shall calculate the computed average daily cost. The cost report shall include the costs of operations of the institutions, statistical and other data, adjustments and reclassifications to trial balance expenditures, allocation of costs, statistical basis of allocation of costs, calculation of computed average daily cost for each type of service, and certification by a responsible institution official. The department shall complete the cost report in accordance with the Medicare and Medicaid principles of reimbursement as found in the Medicare Principles Reimbursement Manual as of June 30, 1977, or the intermediate care reimbursable cost apportionment and accounting principles, except as otherwise provided for in the instructions for the preparation of the cost report.

Authority: T.C.A. Sections 33—104, 33—105, and 33—403. *Administrative History.* Original Rule filed May 31, 1978 effective July 1, 1978.

0940—2—1—.03 COMPUTATION OF COST INCREASE FACTOR. The department shall compute a cost increase factor in the following manner. For an institution that has completed three (3) full years of rendering a certain type of service, this factor shall be the average of the institution’s increase or decrease in computed average daily cost for that type of service over the prior two (2) years, limited to the 90th percentile of the factor for mental health institutes and limited to the 90th percentile of the factor for developmental centers. Negative averages shall be considered as zero. For an institution that has not completed three (3) full years of rendering a certain type of service, the factor shall not exceed the 90th percentile value for the factor for mental health institutes or developmental centers. The cost-increase amounts used in determining the 90th percentile shall be the latest values

(Rule 0940-2-1-.03, continued)

calculated for at least 50 percent of the institutions for the mental health institutes or developmental centers that have rendered like type services three (3) full years.

The effect of minimum wage and other pass through cost items may be eliminated in the determination of and the application of the cost increase factors.

Authority: T.C.A. Sections 33-104, 33-105, and 33-403. **Administrative History.** Original Rule filed May 31, 1978 effective July 1, 1978. Amended and New Rule filed October 14, 1980; effective December 1, 1980.

0940—2—1—.04 COMPUTATION OF ADJUSTMENT FOR OCCUPANCY OR USAGE. The department shall compute an adjustment for occupancy or usage in the following manner:

If the % of occupancy or usage is	The tentative average daily cost may be
80% and above then	100%
75% to 80%	95%
70% to 75%	90%
65% to 70%	85%
60% to 65%	80%
55% to 60%	75%
50% to 55%	70%
45% to 50%	60%
40% to 45%	50%
35% to 40%	40%
Below 35%	30%

of the computed average daily cost.

Authority: T.C.A. Sections 33—104, 33—105, and 33—403. **Administrative History.** Original Rule filed May 31, 1978, effective 1, 1978.

0940—2—1—.05 COMPUTATION OF GROWTH AND DEVELOPMENT AMOUNT. The department shall compute a growth and development amount for each type of service with sufficient cost containment and an occupancy or usage rate of 80% or greater. Total costs for the type of service are determined and converted to a per patient day basis. Fixed costs such as interest, depreciation and rent are also determined for each type of service and converted to a per patient day basis. Variable costs are determined by subtracting the fixed costs from the total costs. All types of service whose variable costs are less than the Medicaid Intermediate Care program-wide ceiling shall have the amount for growth and development computed. The growth and development amount shall be at the rate of 5% of the difference just defined not to exceed \$0.30 per patient day.

Authority: T.C.A. Sections 33—104, 33—105, and 33—403. **Administrative History.** Original Rule filed May 31, 1978, effective July 1, 1978.

0940—2—1—.06 COMPUTATION OF DIRECT PASS THROUGH AMOUNT. The department shall compute an amount for increases due to direct pass through items including minimum wage increases and additional mandatory certification requirement costs. The amount shall be computed using available statistical data which indicates the amount of the increase in the then present costs necessitated by the pass through amount.

Authority: T.C.A. Sections 33-104, 33-105, and 33-403. **Administrative History.** Original Rule filed May 31, 1978, effective July 1, 1978.

0940—2—1—.07 DETERMINATION OF TENTATIVE AVERAGE DAILY COST. The commissioner shall determine a tentative average daily cost using one of the following procedures:

(1) Cost analysis procedure

- (a) The commissioner shall determine the computed average daily cost under Rule 0940—2—1—.02 **COMPUTATION OF COMPUTED AVERAGE DAILY COST.**
- (b) The commissioner may add to the computed average daily cost an amount utilizing the cost increase factor prescribed in Rule 0940—2—1—.03 **COMPUTATION OF COST INCREASE FACTOR.**
- (c) The commissioner may adjust the computed average daily cost as adjusted in sub-paragraph (b) for the adjustment for occupancy and usage prescribed in rule 0940—2—1—.04 **COMPUTATION OF ADJUSTMENT FOR OCCUPANCY OR USAGE.**
- (d) The commissioner may add to the computed average daily cost an amount for growth and development as prescribed in Rule 0940—2—1—.05 **COMPUTATION OF GROWTH AND DEVELOPMENT AMOUNT.**

(2) Direct pass through cost procedure

The commissioner may prior to the costs being incurred add to the average daily cost the direct pass through amount⁵ prescribed in Rule 0940—2—1—.06 **COMPUTATION OF DIRECT PASS THROUGH AMOUNT.**

Authority: T.C.A. Sections 33—104, 33—105, and 33—403. **Administrative History.** Original Rule filed May 31, 1978, effective July 1, 1978.

0940—2—1—.08 NOTICE AND COMMENT. After the commissioner has determined the tentative average daily cost for each type of service, he shall give notice that the tentative average daily cost is effective on a specific date, not less than fifteen (15) days after giving notice. The commissioner will receive comments on the tentative rates during the fifteen (15) day notice period.

Authority. T.C.A. Sections 33—104, 33—105, and 33—403. **Administrative History.** Original Rule May 31, 1978, effective July 1, 1978.

0940—2—1—.09 AVERAGE DAILY COST EFFECTIVE DATE, FILING. Unless the commissioner withdraws or modifies a tentative average daily cost, it becomes effective as the average daily cost on the date specified in the notice. If the commissioner withdraws or modifies a tentative average daily cost within the 15 day notice period, he shall give notice in writing of such withdrawal or modification and the modification or withdrawal will be effective on the effective date of the original tentative filing.

The department shall maintain in its central office all computations, notices, tentative average daily cost schedules, notices of withdrawal or modification and average daily cost. These documents are available for public inspection and copying during normal business hours.

Authority: T.C.A. Sections 33—104, 33—105, and 33—403. **Administrative History.** Original Rule filed May 31, 1978, effective July 1, 1978.